

Q3 FY2025
Earnings Presentation
2025/11/7



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Q3 FY2025

Financial Summary

- Regarding net sales during the first nine months of FY2025, while Fine Carbon business saw a YoY increase due to factors such as the consolidation of U.S.-based subsidiaries and a recovery in demand for memory semiconductors, consolidated net sales decreased YoY due to the divestment of a German site of the Graphite Electrodes business and declined sales prices / sales volumes in the other segments.
- Operating income significantly increased YoY, driven by the return to profitability in both the Graphite Electrodes and the Smelting and Lining businesses. This turnaround was primarily due to the structural reform in the Graphite Electrodes business and the prior-year impairment loss recorded in the Smelting and Lining business, in addition to ongoing contributions from improved production efficiency and cost reduction measures.
- While EBITDA decreased YoY, EBITDA margin improved and continued to be maintained in the upper 10% range.
- Strategic investments and capital investments necessary for future growth were carefully selected and continued. While the net D/E ratio slightly increased compared to the end of the previous fiscal year due to an increase in interest-bearing debt, financial soundness and liquidity were maintained at a high level. The credit ratings have been maintained, with JCR: A+ (outlook stable) and R&I: A (outlook stable).
- The consolidation of Bridgestone Corporation's carbon black manufacturing and sales subsidiary in Thailand was completed at the end of the third quarter of FY2025. This event will leverage collaboration and co-creation with the Bridgestone group on a global scale and further strengthen the partnership.
- A portion of investment securities was sold to improve capital and asset efficiency. The gain on sale of investment securities was recorded as extraordinary income and net income attributable to owners of the parent company significantly increased.
- Based on recent performance trends, the full-year performance outlook for the fiscal year ending December 31, 2025 has been revised upward.

Summary of Consolidated Results

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- Consolidated results saw YoY decreases in net sales, and an increase in operating income
- Net sales JPY237.3 b (-8.2%), operating income JPY21.3 b (+40.0%), ROS 9.0% (+3.1points)
- EBITDA JPY44.0 b (-5.9%), EBITDA margin 18.5% (+0.4points)

(Millions of yen)

	Jan-Sep 2024	Jan-Sep 2025	YoY Change	%Change
Net sales	258,659	237,336	(21,322)	(8.2)%
Operating income	15,211	21,301	+6,090	+40.0%
Ordinary income	16,097	21,061	+4,964	+30.8%
Net income attributable to owners of the parent company	5,584	16,354	+10,770	+192.9%
EBITDA	46,769	44,006	(2,763)	(5.9)%
EBITDA margin	18.1%	18.5%	+0.4pt	—

Jan. to Sep. Average exchange rates:

- 2024 USD1=JPY 151.29 EUR1=JPY 164.40
- 2025 USD1=JPY 148.23 EUR1=JPY 165.54

※EBITDA =Operating income + Depreciation + Amortization

Net Sales, Operating Income and EBITDA by Segment

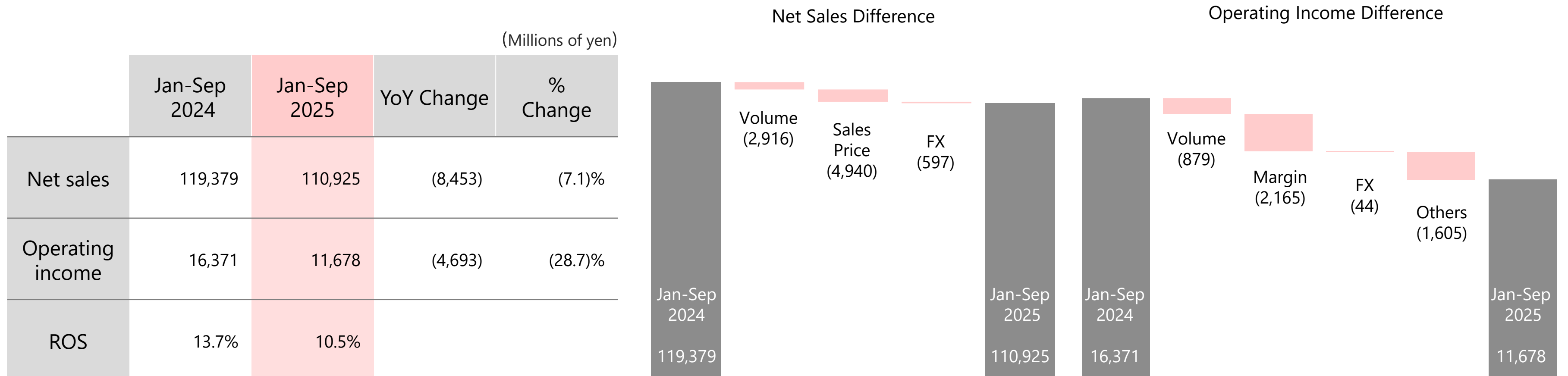
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- YoY increase in operating income for Smelting and Lining and Graphite Electrodes businesses due to factors including the non-recurring effect of impairment losses, etc. recorded in the prior fiscal year.
- While operating income in other segments decreased YoY, consolidated operating income increased by 40%.

(Millions of yen)

		Net sales			Operating income			EBITDA		
		Jan-Sep 2024	Jan-Sep 2025	YoY Change	Jan-Sep 2024	Jan-Sep 2025	YoY Change	Jan-Sep 2024	Jan-Sep 2025	YoY Change
Carbon Black		119,379	110,925	(8,453)	16,371	11,678	(4,693)	23,974	19,294	(4,679)
Fine Carbon		40,590	42,076	+1,485	10,417	6,766	(3,650)	16,238	13,944	(2,294)
Smelting and Lining		46,133	41,596	(4,536)	(10,351)	738	+11,090	2,258	3,704	+1,445
Graphite Electrodes		36,896	28,150	(8,746)	(2,336)	1,643	+3,980	2,140	5,362	+3,222
Industrial Furnaces and Related Products		8,163	7,145	(1,018)	1,794	1,316	(477)	2,058	1,623	(435)
Others	Friction materials	5,968	5,956	(12)	—	—	—	—	—	—
	Anode materials, etc.	1,526	1,485	(40)	—	—	—	—	—	—
	Total	7,495	7,442	(53)	535	444	(90)	889	796	(93)
Inter-segment eliminations		—	—	—	(1,219)	(1,287)	(68)	(790)	(719)	+71
Total		258,659	237,336	(21,322)	15,211	21,301	+6,090	46,769	44,006	(2,763)
Return on sales		—	—	—	5.9%	9.0%	+3.1pt	18.1%	18.5%	+0.4pt

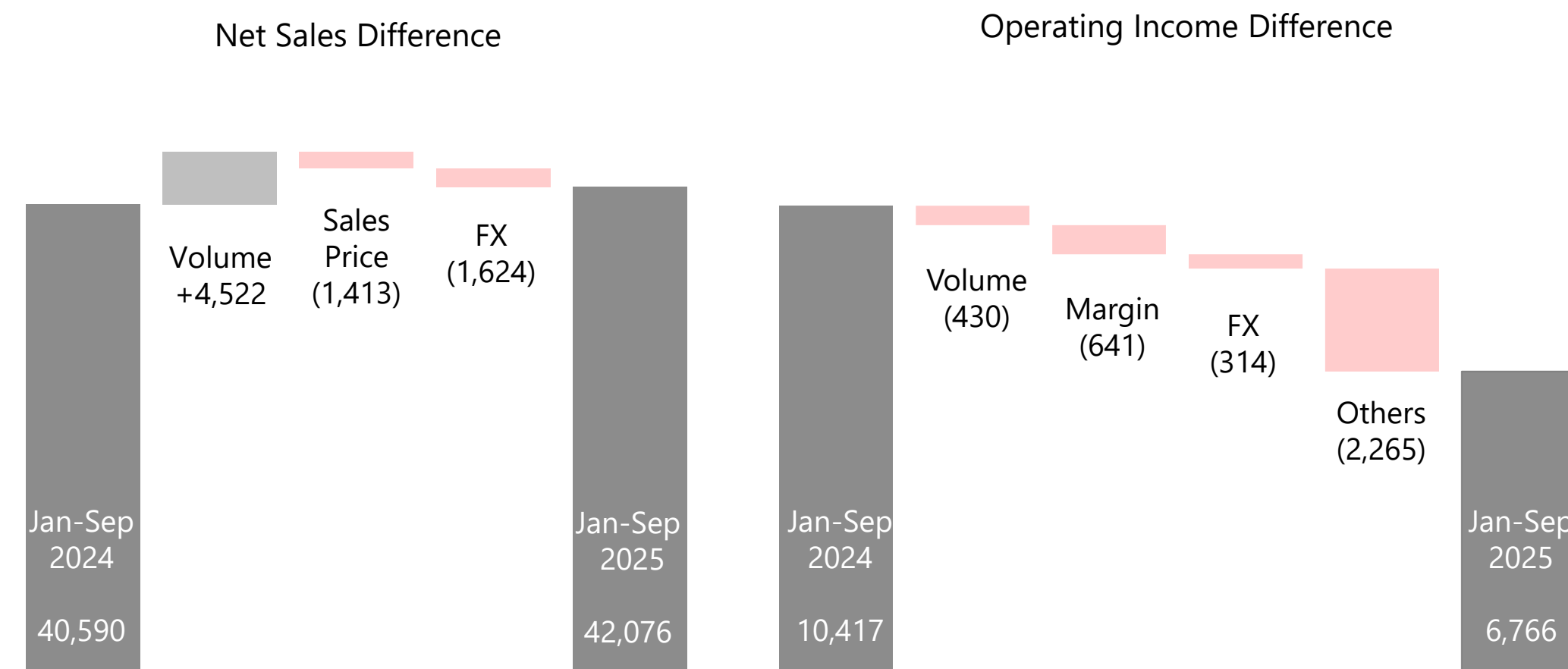
- Net sales decreased YoY due to declined sales volumes resulting from production adjustments among tire manufacturers, and declined sales prices.
- While operating income decreased YoY due to declining margins and rising fixed costs, ROS was maintained in the double digits.



- Increased sales volumes of Solid SiC focus rings, our core product, in line with the recovery of demand for memory semiconductors, and the consolidation of U.S.-based subsidiaries, contributed to a YoY increase in net sales.
- Operating income decreased YoY due to factors such as the decelerated growth of the SiC power semiconductor market (driven by the slowdown in EV growth), intensified competition in the Chinese market, etc.

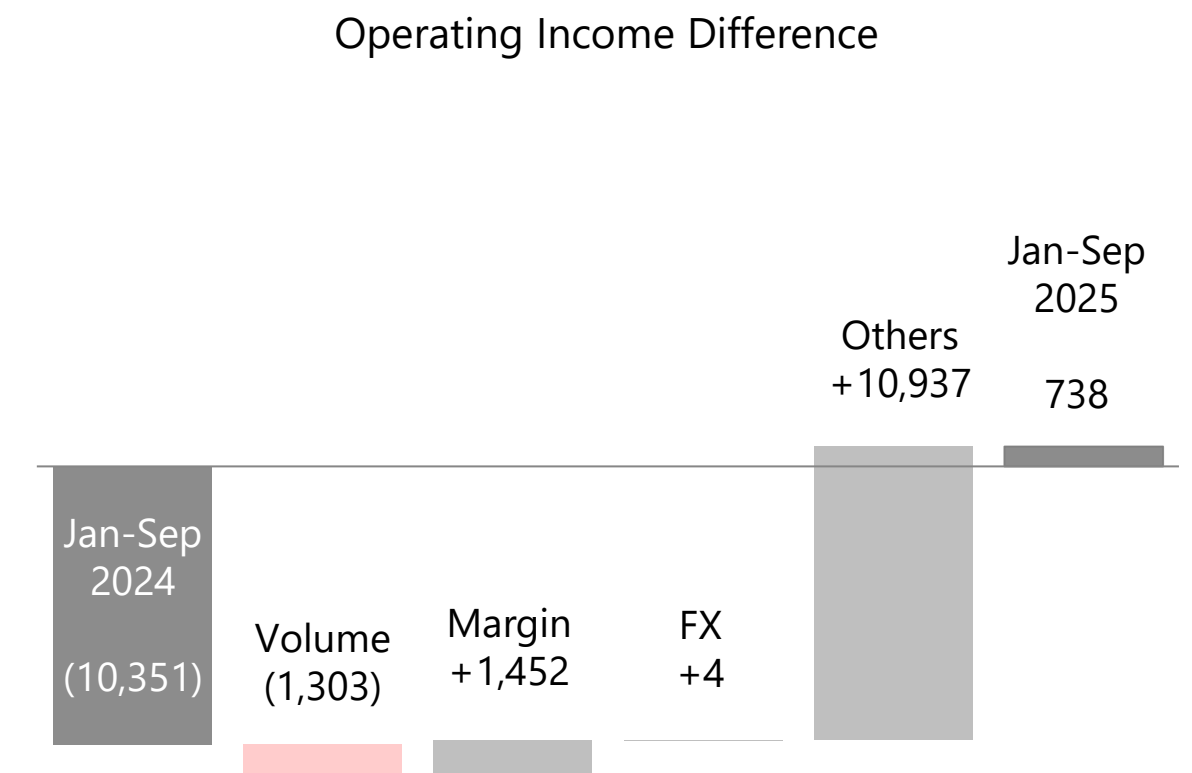
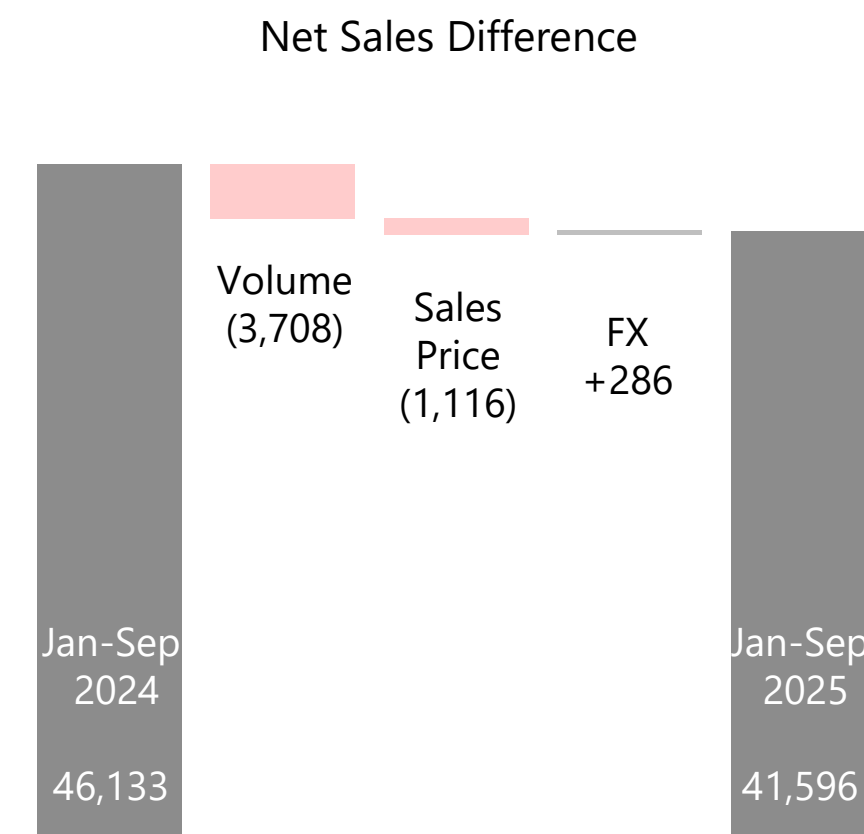
(Millions of yen)

	Jan-Sep 2024	Jan-Sep 2025	YoY Change	% Change
Net sales	40,590	42,076	+1,485	+3.7%
Operating income	10,417	6,766	(3,650)	(35.0)%
ROS	25.7%	16.1%		

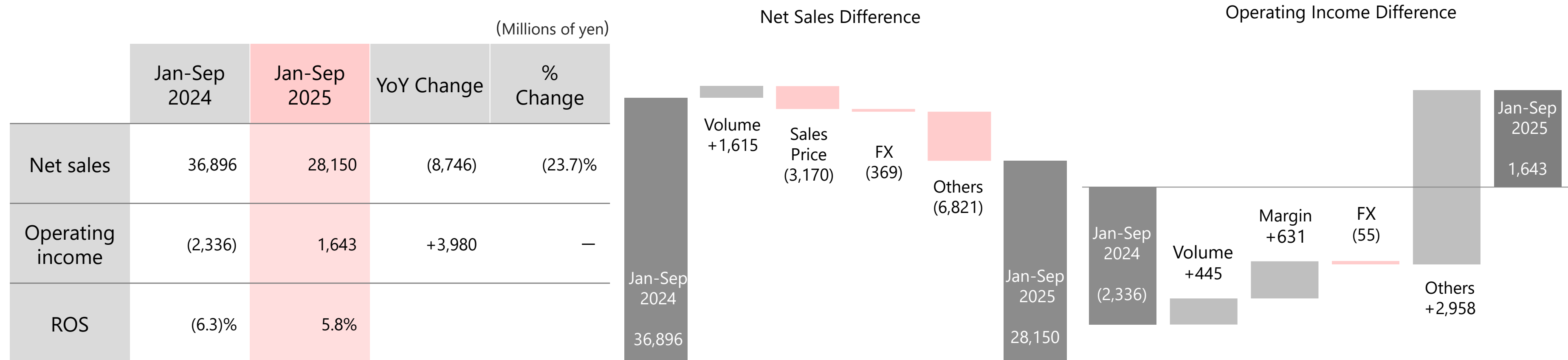


- Net sales decreased YoY due to a delay in the recovery of demand for relining of aluminum smelting furnaces and intensified competition with industry peers.
- Operating income turned positive against the initial forecast (close to zero) due to cost reductions and decreased depreciation and amortization resulting from impairment losses on goodwill, etc. recorded in the prior fiscal year.
- Excluding the effect of decreased depreciation and amortization on goodwill, etc., the profit level stood at JPY+1.3 b YoY, indicating improved profitability.

	Jan-Sep 2024	Jan-Sep 2025	YoY Change	% Change
Net sales	46,133	41,596	(4,536)	(9.8)%
Operating income	(10,351)	738	+11,090	—
ROS	(22.4)%	1.8%		



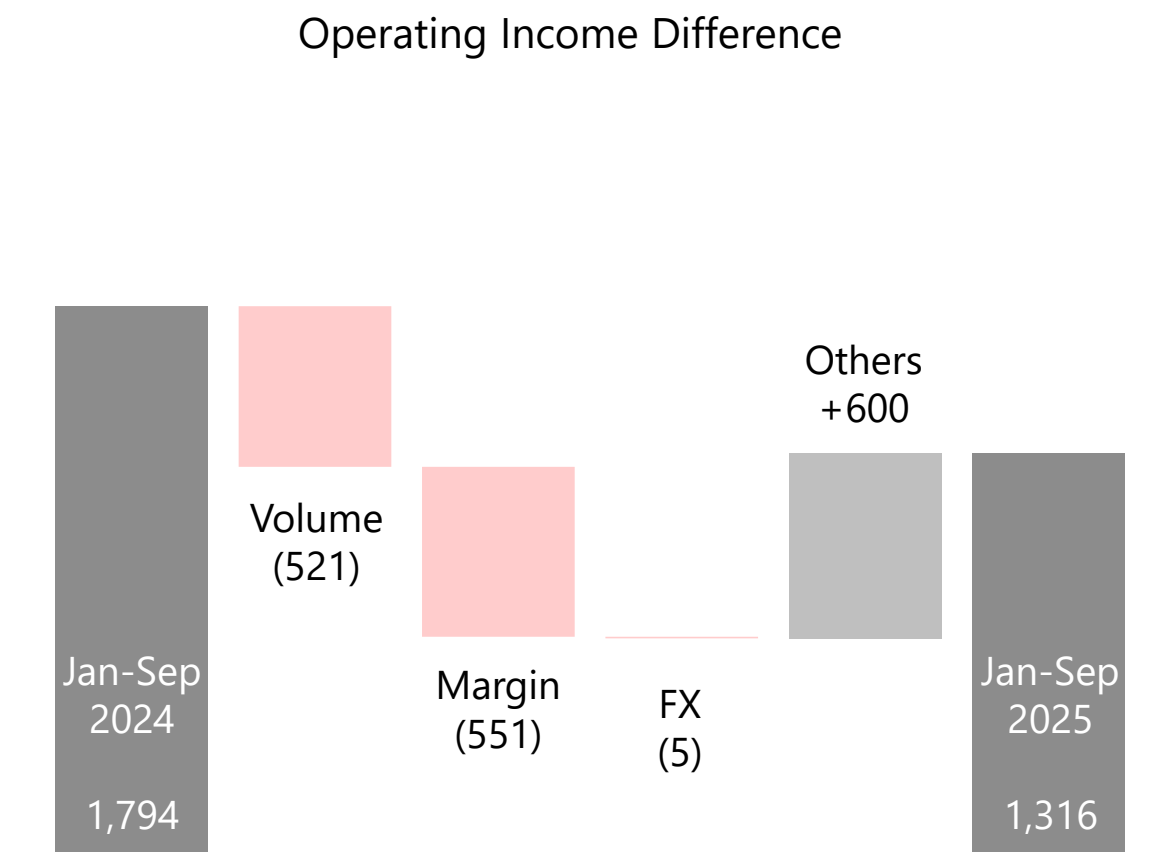
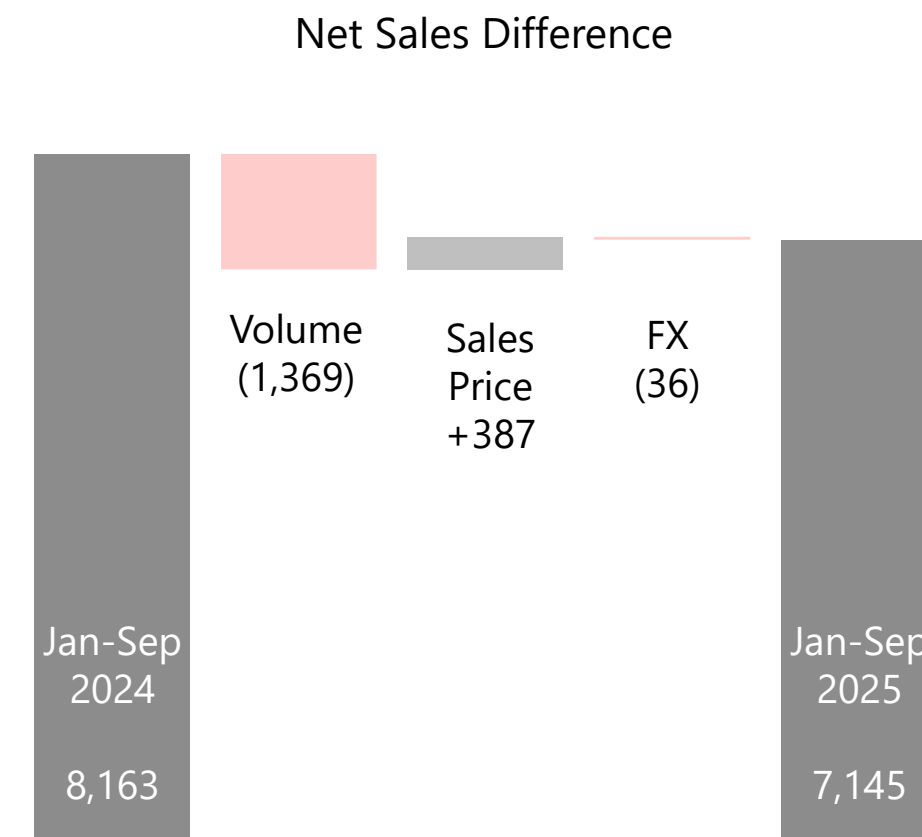
- Net sales decreased YoY due to sluggish electrode market conditions resulting from the stagnant steel market, and the divestment of a German subsidiary (excluded from the scope of consolidation from the second quarter of FY2025).
- Operating income turned positive due to reduced production costs resulting from a drop in raw material prices and the effects of structural reforms, including the accelerated realization of production consolidation effects in Japan and the divestment of the German subsidiary.



- Demand for CAPEX in the energy-related and electronic device industries, the core markets for industrial furnaces and heating elements, remained sluggish.
- Both net sales and operating income decreased YoY due mainly to declined sales volumes, influenced by factors such as delivery delays stemming from customer circumstances.

	Jan-Sep 2024	Jan-Sep 2025	YoY Change	% Change
Net sales	8,163	7,145	(1,018)	(12.5)%
Operating income	1,794	1,316	(477)	(26.6)%
ROS	22.0%	18.4%		

(Millions of yen)



Major Cash Flow items

(Millions of yen)

	Jan-Sep 2024	Jan-Sep 2025	Summary
Cash flows from operating activities	38,521	34,247	
Net income (loss) before income taxes	16,151	26,108	
Depreciation and amortization	25,009	18,967	
Amortization on goodwill	6,549	3,737	
Decrease (increase) in trade receivables	472	1,232	Working capital: JPY(1.7) billion (Jan-Sep 2024 JPY-1.6 billion)
Decrease (increase) in inventories	5,696	(367)	
Increase (decrease) in trade payables	(7,809)	(2,570)	
Income tax paid etc.	(7,548)	(12,860)	
Cash flows from investing activities	(40,938)	(39,048)	
Purchase of fixed assets	(41,221)	(33,790)	Free cash flow: JPY(4.8) billion (Jan-Sep 2024 JPY-2.4 billion)
Acquisition of shares of subsidiaries accompanying changes in the scope of consolidation	—	(7,668)	
Cash flows from financing activities	(1,362)	(4,310)	
Net increase (decrease) in short-term Loans payable	(21,856)	8,941	
Corporate bond issuance and redemption	34,744	—	
Acquisition of share of subsidiaries	(5,574)	—	Additional acquisition of shares of Tokai Carbon Korea (Ratio of voting rights held: 47.4% → 50.4%)
Purchase of treasury shares of subsidiaries	—	(4,778)	Acquisition of treasury shares by Tokai Carbon Korea (Ratio of voting rights held: 50.4% → 52.5%)
Payment of dividends	(7,036)	(6,404)	
Cash and cash equivalents at end of period	54,358	54,193	

※Working capital = Trade receivables + Inventories – Trade payables

Major Balance Sheet Items

(Millions of yen)

	December 31, 2024	September 30, 2025	Summary
Total assets	640,753	629,258	
Current assets	270,363	247,832	
Cash and cash equivalents	92,207	77,164	
Notes and accounts receivable	69,175	66,230	· Cash/monthly sales: 2.9 times (End of FY2024: 3.2 times)
Inventory	100,740	96,053	· Inventory: (JPY-4.6 billion from End of FY2024)
Fixed assets	370,390	381,426	· Tangible fixed assets: (JPY+10.4 billion from End of FY2024)
Tangible fixed assets	264,582	275,017	· Intangible fixed assets: (JPY-6.9 billion from End of FY2024)
Intangible fixed assets	66,341	59,360	
Investments and other assets	39,466	47,047	
Total liabilities	315,595	307,467	· Net interest-bearing debt: JPY123.1 billion (JPY+24.0 billion from End of FY2024)
Current liabilities	147,729	135,885	· Interest-bearing debt: JPY200.2 billion (JPY+9.0 billion from End of FY2024)
Long term liabilities	167,865	171,581	· Direct funding ratio: 61.4% (End of FY2024: 65.1%), Long term debt ratio: 60.3% (End of FY2024: 61.3%)
Total net assets	325,158	321,790	· Short term credit line: JPY+84.0 billion (JPY+18.0 billion from End of FY2024): JPY6.0 billion executed (JPY+0.0 billion from End of FY2024)
Shareholder's equity	170,469	179,311	· CP issuance limit JPY60.0 billion (JPY+0.0 billion from End of FY2024): JPY58.0 billion executed (JPY-1.5 billion from End of FY2024)
Accumulated other Comprehensive income	119,089	109,631	
Non-controlling interests	35,600	32,847	
Total liabilities and net assets	640,753	629,258	

※The adjusted capital to asset ratio and adjusted net D/E ratio are the capital ratio and net D/E ratio that take into account the capital nature of hybrid finance recognized by rating agencies.

II

FY2025

Earnings Forecast

Consolidated Earnings Forecast FY2025

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- Net sales is projected to decrease by JPY20.0 b from the previous forecast, primarily due to lower sales in the Carbon Black business.
- Operating income remained strong across key business segments through Q3. However, the expected increase in operating income over the previous forecast is limited to JPY0.7 b. This is partially due to an approximately JPY2.0 b in additional costs in Q4, which include expenses related to the acquisition of the Bridgestone Corporation's carbon black manufacturing and sales subsidiary in Thailand, as well as M&A-related costs for the U.S. Fine Carbon subsidiaries.
- Net income attributable to owners of the parent company is expected to increase by JPY7.0 b compared to the previous forecast, primarily due to the recording of gain on sale of investment securities as extraordinary income.

(Millions of yen)

	Previous Forecast (February 12)			Updated Forecast for FY 2025			Change from Previous Forecast		YoY Change	
	1H	2H	Full Year	1H	2H	Full Year	Amount	%	Amount	%
Net sales	169,500	171,000	341,000	158,076	162,923	321,000	(20,000)	(5.9)%	(29,114)	(8.3)%
Operating income	10,400	12,900	23,300	13,956	10,043	24,000	+700	+3.0%	+4,613	+23.8%
Ordinary income	10,000	12,000	22,000	13,874	9,925	23,800	+1,800	+8.2%	+1,220	+5.4%
Net income attributable to owners of the parent company	6,000	5,000	11,000	8,538	9,461	18,000	+7,000	+63.6%	+74,736	— %

Average exchange rates:

■ USD1= JPY 148.17 , EUR1= JPY 167.54

Consolidated Earnings Forecast FY2025 by Segment

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(Millions of yen)

		Previous Forecast (February 12)			Updated Forecast for FY 2025			YoY Change	% Change
		1H	2H	Full year	1H	2H	Full year		
Net Sales		169,500	171,500	341,000	158,076	162,923	321,000	(20,000)	(5.9)%
	Carbon Black	85,000	82,000	167,000	75,571	70,428	146,000	(21,000)	(12.6)%
	Fine Carbon	28,000	31,000	59,000	27,713	28,286	56,000	(3,000)	(5.1)%
	Smelting and Lining	27,000	29,000	56,000	27,155	33,844	61,000	+5,000	+8.9%
	Graphite Electrodes	20,000	18,000	38,000	18,451	18,548	37,000	(1,000)	(2.6)%
	Industrial Furnaces and Related Products	5,000	7,000	12,000	4,204	6,795	11,000	(1,000)	(8.3)%
	Friction Materials	4,000	4,000	8,000	4,000	3,999	8,000	—	— %
	Others								
	Anode Materials, etc.	500	500	1,000	978	1,021	2,000	+1,000	+100.0%
	Total	4,500	4,500	9,000	4,979	5,020	10,000	+1,000	+11.1%
Operating Income		10,400	12,900	23,300	13,956	10,043	24,000	+700	+3.0%
	Carbon Black	7,500	5,700	13,200	8,148	4,251	12,400	(800)	(6.1)%
	Fine Carbon	3,200	5,000	8,200	4,697	3,102	7,800	(400)	(4.9)%
	Smelting and Lining	—	—	—	304	695	1,000	+1,000	— %
	Graphite Electrodes	(400)	1,500	1,100	494	1,505	2,000	+900	+81.8%
	Industrial Furnaces and Related Products	1,000	1,600	2,600	885	1,314	2,200	(400)	(15.4)%
	Others	300	300	600	286	313	600	—	— %
	Inter-segment eliminations	(1,200)	(1,200)	(2,400)	(859)	(1,140)	(2,000)	+400	— %

Reference Material

Key Indicators

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(Millions of yen) f=forecast	2021	2022	2023	2024	2025f
Net sales	258,874	340,371	363,946	350,114	321,000
Operating income	24,647	40,588	38,728	19,386	24,000
ROS (%)	9.5%	11.9%	10.6%	5.5%	7.5%
EBITDA	54,518	75,572	75,949	61,120	56,200
EBITDA margin (%)	21.1%	22.2%	20.9%	17.5%	17.5%
Net income Attributable to Owners of the Parent Company	16,105	22,418	25,468	(56,736)	18,000
ROE (%)	7.5%	9.0%	8.6%	—	6.1%
Adjusted ROIC (%)	12.3%	14.3%	11.5%	6.8%	5.5%
Capital Investment	30,347	48,150	53,316	56,715	51,400
Depreciation and Amortization	22,900	27,460	29,065	33,028	27,300
R&D Expenses	2,823	3,171	3,605	4,284	5,800
Interest-bearing debt	168,249	171,452	166,642	191,241	200,000
Net D/E ratio	0.39	0.37	0.27	0.34	0.42
Adjusted Net D/E ratio	0.21	0.22	0.15	0.20	0.26
Number of Employees	4,289	4,378	4,427	4,625	—
Exchange Rate (JPY/USD)	109.80	131.43	140.56	151.58	148.17

※EBITDA = Operating income + Depreciation + Amortization

※Adjusted ROIC = Operating Profit after Tax adjusted for Goodwill amortization ÷ Invested Capital (Working Capital + Fixed Assets adjusted for Goodwill)

Quarterly Results by Segment

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(Millions of yen)

		2024					2025				
		Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4f	Full Year
Net sales		82,161	88,760	87,736	91,455	350,114	80,346	77,730	79,260	83,663	321,000
	Carbon Black	39,602	39,983	39,793	37,414	156,793	38,920	36,650	35,353	35,074	146,000
	Fine Carbon	12,537	13,922	14,131	13,299	53,890	14,442	13,271	14,362	13,923	56,000
	Smelting and Lining	14,030	16,000	16,102	18,378	64,512	12,932	14,222	14,440	19,403	61,000
	Graphite Electrodes	10,874	13,518	12,504	11,921	48,818	9,383	9,068	9,699	8,849	37,000
	Industrial Furnaces and Related Products	2,485	2,640	3,037	8,128	16,291	2,125	2,079	2,940	3,854	11,000
	Others	Friction Materials	2,064	2,086	1,818	7,974	1,960	2,040	1,955	2,043	8,000
		Anode Materials, etc.	568	610	347	1,833	581	396	507	514	2,000
		Total	2,632	2,696	2,165	9,807	2,542	2,437	2,462	2,557	10,000
Operating income		3,489	4,934	6,786	4,175	19,386	7,136	6,820	7,344	2,698	24,000
	Carbon Black	5,696	5,190	5,484	5,335	21,706	4,521	3,626	3,530	721	12,400
	Fine Carbon	3,078	3,523	3,815	2,019	12,437	2,994	1,703	2,068	1,033	7,800
	Smelting and Lining	(3,546)	(4,009)	(2,795)	(3,349)	(13,701)	160	144	434	261	1,000
	Graphite Electrodes	(2,175)	(248)	86	(1,192)	(3,529)	(725)	1,219	1,149	356	2,000
	Industrial Furnaces and Related Products	511	613	669	1,510	3,304	470	414	431	883	2,200
	Other Operations	224	215	95	(131)	403	125	160	158	155	600
	Inter-segment eliminations	(300)	(349)	(569)	(16)	(1,235)	(409)	(449)	(428)	(712)	(2,000)

- Forward-looking statements in this document are based on information obtainable at the time this document was published and assumptions as of the date of publication concerning elements of uncertainty that could affect future earnings.
- Actual results may differ substantially, depending on various future factors. Factors that affect business performance include, but are not limited to, economic conditions, raw material prices, trends in product demand and market prices, and fluctuation in exchange rates.
- The quantitative goals, reference values, investment amounts, and other numerical goals in this document only express the medium-term strategy and vision of the company; they are not performance forecasts. The company is not obligated to update such information.
- Please see the disclosures in the Consolidated Financial Results for the official earnings forecast, based on the rules of Tokyo Stock Exchange, Inc.

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